

WHITE PAPER

Origin and Functions of Michigan's Agricultural Commodity Groups

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Michigan's farmers face intense competition. Other regions produce the same crops and livestock and may enjoy comparative advantages such as proximity to major markets, climatic factors reducing costs of production, and exchange rates or trade agreements benefiting foreign producers. Michigan farmers are in a constant battle to establish and maintain markets.

Accordingly producers of Michigan's major commodities have formed marketing programs funded by mandatory assessments on producers to benefit their interests in the marketplace. The organizations that administer these marketing programs are conventionally termed commodity groups. The principal functions of the commodity groups are promotion, education and research.

Genesis of Commodity Promotion

Improvements in railroads and refrigeration opened up eastern and midwestern markets to western perishables. More than a century ago California "Sunkist" oranges began moving eastward supported by heavy promotion. Idaho potato and Washington apple production expanded rapidly in the 1920s and 1930s. In 1937 the Idaho Potato Commission and Washington Apple Commission were authorized by the respective state governments to collect assessments from growers and shippers for promotional funding.

The first Michigan response was the "Baldwin Apple Act" of 1939 that taxed Michigan apple growers for advertising the Michigan fruit. Public Act 208 of 1961 created the Michigan Potato Industry Council, funded by assessments on growers, to succeed a voluntary promotional group formed in 1958 to stem a devastating market decline from Idaho and Maine competition. Public Act 114 of 1965 authorized the Michigan Bean Commission. Public Act 232 of 1965, the Agricultural Commodities Marketing Act, provided an umbrella structure under which any promotional commodity group could be organized. Later the P.A. 232-based Michigan Apple Committee rendered the 1939 apple statute obsolete. Public Act 29 of 1970 modified the assessment structure of the potato organization, which the new law renamed the Michigan Potato Industry Commission. Two years later the Michigan Beef Industry Commission was created by Public Act 291 of 1972.

Today there are 10 commodity groups organized under Public Act 232 and three authorized by separate laws. A full list of the groups is on page 4.

The Democratic Structure of Michigan Commodity Groups

The procedures and functions of the commodity groups are supervised by the Michigan Department of Agriculture (MDA), but the groups themselves have an independent status. The assessments collected belong to the respective groups and are not state funds.

Grower referenda are the means for the establishment, continuation and termination of a commodity group. These votes are conducted by the MDA. Under P.A. 232 growers may petition to form a commodity group according to the act's terms. The MDA director has the role of validating a petition, authorizing and conducting a public hearing, recommending a vote or not

based on hearing comments, and conducting the referendum. The vote is not affirmative unless it is a majority and the production of the affirmative voters is more than half the production of all those voting.

A similar procedure is set up for proposed termination of a P.A. 232 commodity group. The act also requires a referendum every five years on whether or not to continue the organization.

The commodity groups authorized by separate legislation also provide for MDA-supervised referenda on continuation and termination of the programs.

Management of Michigan Commodity Groups

The laws create committees or boards that form the commodity-group leadership. These members are appointed by the governor with the consent of the state Senate from a list of nominees selected through industry procedures. Terms are typically for three years usually with an option for one successive term. These members set the policy for the commodity group as in the manner of a board of directors of a private corporation and select a chief executive for administration of the organization.

Functions of Michigan Commodity Groups

The committee members or commissioners bear the responsibility of advancing the common industry interests of achieving profitability in the competitive national and international agricultural environment. The three broad activities of the commodity groups are promotion, education and research.

The two promotional targets are consumers and trade buyers. Each industry has unique characteristics that influence its optimal promotional strategies.

Consumers may be reached by direct advertising or through indirect means such as publicity efforts like press releases and newspaper and magazine features developed for and with editors. Cultivation of effective relationships with television news and features personnel also can lead to positive exposures for a commodity. The staging of events brings consumers into direct contact with products and producers and can generate wider favorable publicity. In-store demonstrations introduce consumers to special promotions and harvest kickoffs and new food presentations. Personal contacts with consumers at demonstrations and exhibits create valuable opportunities for one-on-one discussions of nutritional benefits and production practices and for expanding consumers' understandings of agriculture and its essential place in their everyday lives. Brochures, publications and recipe compilations are traditional means of market development. The reach has been significantly expanded through the Internet, and websites are now a standard means for developing positive awareness for a commodity and its producers. A newly adopted marketing tool by many commodity groups is web-based social media.

Promotions to the intermediaries between the producer and consumer—that is, trade buyers—also utilize a variety of techniques. Some commodity groups employ merchandisers who make regular calls on retail buyers to maintain visibility for their products and set up special marketing

events like contests and in-store promotions. Close relationships with processors are also important for strengthening bonds with Michigan raw product rather than a competitive region's. Because food shows are an effective means for face-to-face contacts between sellers and buyers, Michigan commodity groups display not only at major domestic retail and foodservice shows but at top international exhibitions such as the renowned SIAL in Paris. Some commodity groups participate in overseas trade-development trips that bring Michigan products before potential importers in their home surroundings.

The educational component of commodity groups includes sponsorship of producer meetings with outside experts such as researchers from Michigan State University to keep producers abreast of methodologies and technologies needed for maintenance of a prosperous industry. Close ties with national trade associations further enhance grassroots awareness of national and international developments affecting local production. Annual meetings of the national groups usually include trade shows that foster interactions between producers and suppliers for an exchange of perspectives on matters of mutual concern.

Funding for research has become the major occupation of some commodity groups in order to solve problems that may impair their producers' profitability. Michigan's moist climate exacerbates disease and insect pressures that add production costs not borne by competitors in dryer climates. The commodity groups have developed solid relationships with researchers at Michigan State University, which at its 1855 founding became the forerunner of the nation's network of "land grant" institutions devoted to scientific agriculture and research-based advancements to the benefit of producers and consumers alike. Each commodity group establishes its own research priorities and sets funding levels for particular projects out of its total research budget. Priorities change over time as some problems are solved and new ones emerge. Most commodities can point to research triumphs that have kept producers competitive or even continuing in business such as control of devastating diseases or development of new crop varieties that are superior for productivity and quality. Michigan's agricultural producers are in widespread agreement that profitability will disappear without the continuation of complex, sophisticated research.

A full listing of **Michigan Commodity Groups** is on page 4.

Michigan Commodity Groups

- Corn Marketing Program of Michigan
www.micorn.org
Jody Pollok-Newsom
- Michigan Dairy Market Program
www.mimilk.com
Cheryl Schmandt
- Michigan Apple Committee
www.michiganapples.com
Denise Donohue
- Michigan Asparagus Advisory Board
www.asparagus.org
John Bakker
- Michigan Bean Commission
www.michiganbean.org
Robert Green
- Michigan Beef Industry Commission
www.mibeef.org
Kathleen Hawkins
- Michigan Carrot Committee
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Ben Kudwa
- Michigan Cherry Committee
www.choosecherries.com
Phil Korson
- Michigan Onion Committee
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John Bakker
- Michigan Plum Advisory Board
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John Bakker
- Michigan Potato Industry Commission
www.mipotato.com
Ben Kudwa
- Michigan Soybean Promotion Committee
www.michigansoybean.org
Gail Frahm
- United Dairy Industry of Michigan
nbellows@udim.org
Nick Bellows